

CITY OF ALBERT CITY

Independent Auditor's Report
Financial Statements,
Supplemental Information, and
Schedule of Findings

JUNE 30, 2004

DAVID A. MASKE

Certified Public Accountant
Spencer, Iowa

CITY OF ALBERT CITY

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CITY OF ALBERT CITY

CITY OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
(Before January, 2004)		
Carl Erickson, Jr.	Mayor	January, 2004
Douglas Anderson	Council Member	January, 2004
Abe Falkena	Council Member	January, 2004
Vergil Wenell	Council Member	January, 2004
Keith Moe	Council Member	January, 2006
Dale Skog	Council Member	January, 2006
(After January, 2004)		
Carl Erickson, Jr.	Mayor	January, 2006
Douglas Anderson	Council Member	January, 2008
Keith Moe	Council Member	January, 2006
Dale Skog	Council Member	January, 2006
Abe Falkena	Council Member	January, 2008
Norm Hanson	Council Member	January, 2008
Angie Nielson	Clerk	January, 2005
Nola Jensen	Attorney	Indefinite

DAVID A. MASKE

Certified Public Accountant

110 West 4th Street, Suite # 205
P.O. Box 1297
Spencer, IA 51301

712/262-6087
(fax) 712/262-6089

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Albert City
Albert City, Iowa

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Albert City, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express opinions on these financial statements based on my audit.

Except as described in the following paragraph, I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits, contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2003.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2003, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Albert City, as of June 30, 2004 and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As discussed in Note 8 during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences.

In accordance with Government Auditing Standards, I have also issued my reports dated November 11, 2004 on my consideration of the City of Albert City's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 3 through 5 and 12 are not required parts of the basic financial statements, but are supplementary information required by the governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Albert City's basic financial statements. Other supplementary information included in Schedules 1 through 5, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applies in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

DAVID A. MASKE
Certified Public Accountant

November 11, 2004
Spencer, Iowa

CITY OF ALBERT CITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2004

The City of Albert City provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2004 FINANCIAL HIGHLIGHTS

- Receipts of the City-wide activities were approximately \$685,000 for fiscal year 2004.
- Disbursements were approximately \$619,600 for fiscal year 2004.
- The City's total cash basis net assets increased 14%, or approximately \$65,600 from June 30, 2003 to June 30, 2004.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The City's Financial Statement consists of a Statement of Receipts, Disbursements and Cash Balances. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the City's funds.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Receipts, Disbursements and Changes in Cash Balances reports information which helps answer this question.

The Statement of Receipts, Disbursements and Changes in Cash Balances presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, and 3) the Debt Service Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water Fund and Sewer Fund, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from \$216,269 to \$249,077. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	<u>Year Ended</u> <u>June 30, 2004</u>
Receipts and Transfers:	
General Receipts	
Property Tax.....	\$ 249,836
Local Option Sales Tax.....	63,344
Intergovernmental.....	121,450
Use of Money and Property	5,031
Licenses and Permits	1,670
Charges for Services	45,216
Other General Receipts.....	<u>39,876</u>
Total Receipts and Transfers	<u>\$ 526,423</u>
Disbursements:	
Public Safety.....	\$ 36,747
Public Works	135,498
Culture and Recreation	103,925
Community and Economic Development	77,811
General Government	62,149
Debt Service	72,283
Capital Projects.....	4,103
Net Transfers	<u>1,099</u>
Total Disbursements	<u>\$ 493,615</u>
Increase in Cash Basis Net Assets	\$ 32,808
Cash Basis Net Assets - Beginning of Year	<u>216,269</u>
Cash Basis Net Assets - End of Year.....	<u>\$ 249,077</u>

Changes in Cash Basis Net Assets of Business Type Activities

	<u>Year Ended</u> <u>June 30, 2004</u>
Receipts:	
Operating Receipts:	
Water	\$ 84,958
Sewer	70,259
Interest	3,663
Net Transfers In	<u>1,099</u>
Total	<u>\$ 159,979</u>
Disbursements:	
Operating Disbursements:	
Water	\$ 91,322
Sewer	<u>35,811</u>
Total	<u>\$ 127,133</u>
Net Change in Cash Balance	\$ 32,846
Cash Basis Net Assets - Beginning of Year	<u>248,670</u>
Cash Basis Net Assets - End of Year	<u>\$ 281,516</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Albert City completed the year, its governmental funds reported a combined fund balance of \$249,077, an increase of \$32,808 over last year's total of \$216,269. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$13,741 from the prior year to \$133,963.
- The Road Use Tax Fund cash balance increased by \$29,499 to \$83,896 during the fiscal year.
- The Debt Service Fund cash balance decreased by \$1,347 to \$2,113 during the year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$77 to \$162,206.
- The Sewer Fund cash balance increased by \$32,769 to \$119,310.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City over-expended its budget. The City had sufficient cash balances to absorb these additional expenditures.

DEBT ADMINISTRATION

A comparison of the City's debt at June 30, 2004 to June 30, 2003 follows:

	<u>Year Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
G.O. Bonds and Notes	\$ 450,000	\$ 500,000
Sewer Revenue Notes	<u>95,000</u>	<u>120,000</u>
Total	<u>\$ 545,000</u>	<u>\$ 620,000</u>

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Angie Nielson, City Clerk, Albert City, Iowa.

BASIC FINANCIAL STATEMENTS

CITY OF ALBERT CITY
STATEMENT OF ACTIVITIES AND NET ASSETS – CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2004

				<u>Net (Disbursements)</u> <u>Receipts and Changes</u> <u>--- in Cash Basis Net Assets ---</u>		
				<u>Operating Grants,</u> <u>Contributions,</u> <u>and Restricted</u> <u>Interest</u>		
				<u>Program Receipts</u>		
				<u>Charges for</u> <u>Services</u>		
				<u>Disbursements</u>		
				<u>Governmental</u> <u>Activities</u>		
				<u>Business Type</u> <u>Activities</u>		
				<u>Total</u>		
Functions / Programs:						
Governmental Activities:						
Public Safety	\$	36,747	\$	-0-	\$	(34,227)
Public Works		135,498		39,876		(36,571)
Culture and Recreation		103,925		9,391		(87,593)
Community and Economic Development		77,811		-0-		(24,801)
General Government		62,149		-0-		(60,551)
Debt Service		72,283		-0-		(72,283)
Capital Projects		4,103		-0-		(4,103)
Total Governmental Activities	\$	492,516	\$	49,267	\$	(320,129)
Business Type Activities:						
Water	\$	91,322	\$	87,409	\$	(3,913)
Sewer		35,811		71,471		35,660
Total Business Type Activities	\$	127,133	\$	158,880	\$	31,747
TOTAL	\$	619,649	\$	208,147	\$	(288,382)
General Receipts:						
Property Tax Levied for:						
General Purposes					\$	172,045
Debt Service						77,791
Local Option Sales Tax						63,344
Unrestricted Interest on Investments						5,031
Miscellaneous						35,825
Transfers						(1,099)
Total General Receipts and Transfers					\$	352,937
Change in Cash Basis Net Assets					\$	32,808
Cash Basis Net Assets – Beginning of Year						216,269
Cash Basis Net Assets – End of Year					\$	249,077
Cash Basis Net Assets:						
Restricted:						
Streets	\$	83,896	\$	-0-	\$	83,896
Debt Service		2,113		210,938		213,051
Capital Projects		22,013		-0-		22,013
Unrestricted		141,055		70,578		211,633
Total Cash Basis Net Assets	\$	249,077	\$	281,516	\$	530,593

CITY OF ALBERT CITY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Special Revenue</u>			<u>Other Nonmajor</u>	
	<u>General</u>	<u>Road Use</u>	<u>Debt</u>	<u>Governmental</u>	<u>Total</u>
		<u>Tax</u>	<u>Service</u>	<u>Funds</u>	
Receipts:					
Property Tax	\$ 152,403	\$ -0-	\$ 77,791	\$ 19,642	\$ 249,836
Other City Tax.....	-0-	-0-	-0-	63,344	63,344
Licenses and Permits	1,670	-0-	-0-	-0-	1,670
Use of Money and Property.....	4,225	-0-	-0-	806	5,031
Intergovernmental	8,771	59,051	-0-	53,628	121,450
Charges for Services	39,876	-0-	-0-	-0-	39,876
Miscellaneous	38,660	3,523	-0-	3,033	45,216
Total Receipts	\$ 245,605	\$ 62,574	\$ 77,791	\$ 140,453	\$ 526,423
Disbursements:					
Operating:					
Public Safety	\$ 36,747	\$ -0-	\$ -0-	\$ -0-	\$ 36,747
Public Works	105,313	30,185	-0-	-0-	135,498
Culture and Recreation.....	97,258	-0-	-0-	6,667	103,925
Community and Economic Development.....	-0-	-0-	-0-	77,811	77,811
General Government.....	53,411	-0-	-0-	8,738	62,149
Debt Service	-0-	-0-	72,283	-0-	72,283
Capital Projects.....	-0-	-0-	-0-	4,103	4,103
Total Disbursements	\$ 292,729	\$ 30,185	\$ 72,283	\$ 97,319	\$ 492,516
Excess (Deficiency) of Receipts over Disbursements	\$ (47,124)	\$ 32,389	\$ 5,508	\$ 43,134	\$ 33,907
Other Financing Sources (Uses):					
Operating Transfers In	\$ 65,660	\$ -0-	\$ -0-	\$ -0-	\$ 65,660
Operating Transfers (Out)	(4,795)	(2,890)	(6,855)	(52,219)	66,759
Total Other Financing Sources (Uses)	<u>\$ 60,865</u>	<u>\$ (2,890)</u>	<u>\$ (6,855)</u>	<u>\$ (52,219)</u>	<u>\$ (1,099)</u>
Net Change in Cash Balances	\$ 13,741	\$ 29,499	\$ (1,347)	\$ (9,085)	\$ 32,808
Cash Balances – Beginning of Year	<u>120,222</u>	<u>54,397</u>	<u>3,460</u>	<u>38,190</u>	<u>216,269</u>
Cash Balances – End of Year	<u>\$ 133,963</u>	<u>\$ 83,896</u>	<u>\$ 2,113</u>	<u>\$ 29,105</u>	<u>\$ 249,077</u>
Cash Basis Fund Balances:					
Reserved:					
Debt Service.....	\$ -0-	\$ -0-	\$ 2,113	\$ -0-	\$ 2,113
Unreserved:					
General Fund.....	133,963	-0-	-0-	3,016	136,979
Special Revenue Fund	-0-	83,896	-0-	4,076	87,972
Capital Projects Fund	-0-	-0-	-0-	22,013	22,013
Total Cash Basis Fund Balances	\$ 133,963	\$ 83,896	\$ 2,113	\$ 29,105	\$ 249,077

CITY OF ALBERT CITY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	WATER	WATER SINKING	WATER RESERVE	WATER DEPRECIATION	WATER PLANT	SEWER	SEWER DEPREC- IATION	TOTAL
Operating Receipts:								
Use of Money and Property:								
Interest on Investments.....	\$ 2,431	\$ -0-	\$ -0-	\$ -0-	\$ 20	\$ 1,212	\$ -0-	\$ 3,663
Charges for Service:								
Sale of Water	\$ 83,091	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 83,091
Sewer Rental Fees.....	-0-	-0-	-0-	-0-	-0-	70,259	-0-	70,259
	<u>\$ 83,091</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 70,259</u>	<u>\$ -0-</u>	<u>\$ 153,350</u>
Miscellaneous:								
Utility Deposits	\$ 406	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 406
Miscellaneous	1,461	-0-	-0-	-0-	-0-	-0-	-0-	1,461
	<u>\$ 1,867</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,867</u>
TOTAL OPERATING RECEIPTS	<u>\$ 87,389</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 20</u>	<u>\$ 71,471</u>	<u>\$ -0-</u>	<u>\$ 158,880</u>
Operating Disbursements:								
Business-Type Activities:								
Personal Services	\$ 16,831	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 10,633	\$ -0-	\$ 27,464
Contractual Services	3,550	-0-	-0-	-0-	-0-	2,383	-0-	5,933
Commodities.....	33,102	-0-	-0-	-0-	-0-	22,795	-0-	55,897
Capital Projects.....	-0-	-0-	-0-	-0-	3,321	-0-	-0-	3,321
Debt Service:								
Principal Payments	-0-	25,000	-0-	-0-	-0-	-0-	-0-	25,000
Interest Payments.....	-0-	9,518	-0-	-0-	-0-	-0-	-0-	9,518
TOTAL OPERATING DISBURSEMENTS	<u>\$ 53,483</u>	<u>\$ 34,518</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 3,321</u>	<u>\$ 35,811</u>	<u>\$ -0-</u>	<u>\$ 127,133</u>
EXCESS (DEFICIENCY) OF OPERATING RECEIPTS OVER DISBURSEMENTS	<u>\$ 33,906</u>	<u>\$ (34,518)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (3,301)</u>	<u>\$ 35,660</u>	<u>\$ -0-</u>	<u>\$ 31,747</u>
OTHER FINANCING SOURCES (USES):								
Operating Transfers In (Out)	(42,008)	35,278	-0-	6,000	4,720	(8,291)	5,400	1,099
NET	<u>\$ (8,102)</u>	<u>\$ 760</u>	<u>\$ -0-</u>	<u>\$ 6,000</u>	<u>\$ 1,419</u>	<u>\$ 27,369</u>	<u>\$ 5,400</u>	<u>\$ 32,846</u>
BALANCE - BEGINNING OF YEAR	<u>34,216</u>	<u>8,638</u>	<u>35,000</u>	<u>77,462</u>	<u>6,813</u>	<u>8,863</u>	<u>77,678</u>	<u>248,670</u>
BALANCE - END OF YEAR	<u>\$ 26,114</u>	<u>\$ 9,398</u>	<u>\$ 35,000</u>	<u>\$ 83,462</u>	<u>\$ 8,232</u>	<u>\$ 36,232</u>	<u>\$ 83,078</u>	<u>\$ 281,516</u>
CASH BASIS FUND BALANCES:								
Reserved For:								
Debt Services	\$ -0-	\$ 9,398	\$ 35,000	\$ 83,462	\$ -0-	\$ -0-	\$ 83,078	\$ 210,938
Unreserved	26,114	-0-	-0-	-0-	8,232	36,232	-0-	70,578
TOTAL CASH BASIS FUND BALANCES	<u>\$ 26,114</u>	<u>\$ 9,398</u>	<u>\$ 35,000</u>	<u>\$ 83,462</u>	<u>\$ 8,232</u>	<u>\$ 36,232</u>	<u>\$ 83,078</u>	<u>\$ 281,516</u>

CITY OF ALBERT CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Albert City is a political subdivision of the State of Iowa located in Buena Vista County. It operates under the Home Rule provisions of the Constitution of Iowa and under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements and general administrative services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Albert City has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Albert City has no component units.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Albert City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the General Government and Capital Projects functions.

NOTE 2 - DEPOSITS AND POOLED INVESTMENTS:

The City's deposits at June 30, 2004 were entirely covered by Federal depository insurance, or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments at June 30, 2004; however the City's time deposits were as follows:

Certificates of Deposits	\$ 315,373
Savings Accounts.....	\$ 104,368

NOTE 3 - BONDS AND NOTES PAYABLE:

Annual debt service requirements to maturity for City bonds and notes are as follows:

<u>YEAR</u> <u>ENDING</u> <u>JUNE 30</u>	<u>GENERAL OBLIGATION</u> <u>NOTES</u>		<u>REVENUE NOTES</u>		<u>TOTAL</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2005.....	\$ 35,000	\$ 11,702	\$ 30,000	\$ 7,555	\$ 65,000	\$ 19,257
2006.....	35,000	9,987	30,000	5,185	65,000	15,172
2007.....	35,000	8,255	35,000	2,800	70,000	11,055
2008.....	40,000	6,505	-0-	-0-	40,000	6,505
2009.....	40,000	4,465	-0-	-0-	40,000	4,465
2010.....	45,000	2,385	-0-	-0-	45,000	2,385
TOTAL	<u>\$ 230,000</u>	<u>\$ 43,299</u>	<u>\$ 95,000</u>	<u>\$ 15,540</u>	<u>\$ 325,000</u>	<u>\$ 58,839</u>

NOTE 4 - PENSION AND RETIREMENT BENEFITS:

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The City's contribution to IPERS for the year ended June 30, 2004 was \$4,847, equal to the required contribution for the year.

NOTE 5 – COMPENSATED ABSENCES:

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2004 is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation.....	\$ <u>441</u>

This liability has been computed based on rates of pay as of June 30, 2004.

As sick leave is not payable upon termination, retirement or death, the minimum accumulated sick leave is not presented as part of these financial statements.

NOTE 6 – RISK MANAGEMENT:

The City of Albert City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage.

NOTE 7 – INTERFUND TRANSFERS:

The detail of interfund transfers for the year ended June 30, 2004 are as follows:

<u>Transfers to:</u>		<u>Transfers From:</u>		<u>Amount</u>
General	\$ 51,699	Emergency.....	\$	4,216
Water	2,160	Special Revenue:		
Water Sinking	35,278	Lost.....		47,508
Water Depreciation.....	6,000	Water		41,278
Sewer Depreciation.....	5,400	Sewer.....		5,400
Water Plant.....	<u>4,720</u>	Debt Service		<u>6,855</u>
TOTAL	<u>\$ 105,257</u>			<u>\$ 105,257</u>

NOTE 8 – ACCOUNTING CHANGE:

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statement reports the City's governmental and business type activities.

NOTE 9 – RELATED PARTY TRANSACTIONS:

The City had transactions between the City and City officials during the year ended June 30, 2004, in the amount of \$4,976.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF ALBERT CITY
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES –
BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Governmental</u> <u>Funds</u> <u>Actual</u>	<u>Proprietary</u> <u>Funds</u> <u>Actual</u>	<u>Less Funds</u> <u>Not Required To</u> <u>Be Budgeted</u>	<u>Net</u>	<u>Budgeted Amounts</u>		<u>Final to</u> <u>Net</u> <u>Variance</u>
					<u>Original</u>	<u>Final</u>	
Receipts:							
Property Tax.....	\$ 249,836	\$ -0-	\$ -0-	\$ 249,836	\$ 233,414	\$ 233,414	\$ 16,422
Other City Tax	63,344	-0-	-0-	63,344	71,058	82,790	(19,446)
Licenses and Permits	1,670	-0-	-0-	1,670	1,440	1,440	230
Use of Money and Property	5,031	3,663	-0-	8,694	10,710	12,890	(4,196)
Intergovernmental.....	121,450	-0-	-0-	121,450	80,795	115,325	6,125
Charges for Services	39,876	155,217	-0-	195,093	212,270	212,270	(17,177)
Miscellaneous.....	45,216	-0-	-0-	45,216	21,590	21,590	23,626
Total Receipts	<u>\$ 526,423</u>	<u>\$ 158,880</u>	<u>\$ -0-</u>	<u>\$ 685,303</u>	<u>\$ 631,277</u>	<u>\$ 679,719</u>	<u>\$ 5,584</u>
Disbursements:							
Public Safety	\$ 36,747	\$ -0-	\$ -0-	\$ 36,747	\$ 36,500	\$ 36,810	\$ 63
Public Works	135,498	-0-	-0-	135,498	159,430	151,415	15,917
Health and Social Services	-0-	-0-	-0-	-0-	1,900	1,950	1,950
Culture and Recreation.....	103,925	-0-	-0-	103,925	118,300	131,290	27,365
Community and Economic Development.....	77,811	0-	-0-	77,811	40,500	140,985	63,174
General Government.....	62,149	-0-	-0-	62,149	76,680	62,110	(39)
Capital Projects	4,103	-0-	-0-	4,103	-0-	-0-	(4,103)
Debt Service.....	72,283	-0-	-0-	72,283	79,138	72,283	-0-
Business Type Activities	-0-	127,133	0-	127,133	126,608	137,713	10,580
Total Disbursements	<u>\$ 492,516</u>	<u>\$ 127,133</u>	<u>\$ -0-</u>	<u>\$ 619,649</u>	<u>\$ 639,056</u>	<u>\$ 734,556</u>	<u>\$ 114,907</u>
Excess (Deficiency) of Receipts Over Disbursements	\$ 33,907	\$ 31,747	\$ -0-	\$ 65,654	\$ (7,779)	\$ (54,837)	\$ 120,491
Other Financing Sources (Uses), Net	<u>(1,099)</u>	<u>1,099</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	\$ 32,808	\$ 32,846	\$ -0-	\$ 65,654	\$ (7,779)	\$ (54,837)	\$ 120,491
Balances – Beginning of Year	<u>216,269</u>	<u>248,670</u>	<u>-0-</u>	<u>464,939</u>	<u>420,688</u>	<u>464,939</u>	<u>-0-</u>
Balances – End of Year	<u>\$ 249,077</u>	<u>\$ 281,516</u>	<u>\$ -0-</u>	<u>\$ 530,593</u>	<u>\$ 412,909</u>	<u>\$ 410,102</u>	<u>\$ 120,491</u>

CITY OF ALBERT CITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

JUNE 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$95,500. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the General Government and Capital Projects functions.

OTHER SUPPLEMENTARY INFORMATION

CITY OF ALBERT CITY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

Special Revenue

	<u>Local Option Sales Tax</u>	<u>Emergency Fund</u>	<u>Employee Benefits</u>	<u>Capital Projects</u>	<u>Total</u>
Receipts:					
Property Tax.....	\$ -0-	\$ 4,216	\$ 15,426	\$ -0-	\$ 19,642
Other City Tax	63,344	-0-	-0-	-0-	63,344
Use of Money and Property	-0-	-0-	-0-	806	806
Intergovernmental.....	53,010	-0-	-0-	618	53,628
Miscellaneous.....	3,033	-0-	-0-	-0-	3,033
Total Receipts	<u>\$ 119,387</u>	<u>\$ 4,216</u>	<u>\$ 15,426</u>	<u>\$ 1,424</u>	<u>\$ 140,453</u>
Disbursements:					
Operating:					
Culture & Recreation.....	\$ 2,274	\$ -0-	\$ 4,393	\$ -0-	\$ 6,667
Community and Economic Development	75,585	-0-	2,226	-0-	77,811
General Government	-0-	-0-	8,738	-0-	8,738
Capital Projects.....	125	-0-	-0-	3,978	4,103
Total Disbursements	<u>\$ 77,984</u>	<u>\$ -0-</u>	<u>\$ 15,357</u>	<u>\$ 3,978</u>	<u>\$ 97,319</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ 41,403	\$ 4,216	\$ 69	\$ (2,554)	\$ 43,134
Other Financing Uses:					
Operating Transfers Out	(47,507)	(4,216)	-0-	(496)	(52,219)
Net Change in Cash Balances	\$ (6,104)	\$ -0-	\$ 69	\$ (3,050)	\$ (9,085)
Cash Balances – Beginning of Year	10,180	-0-	2,947	25,063	38,190
Cash Balances – End of Year	<u>\$ 4,076</u>	<u>\$ -0-</u>	<u>\$ 3,016</u>	<u>\$ 22,013</u>	<u>\$ 29,105</u>
Cash Basis Fund Balances:					
Unreserved:					
Special Revenue Funds.....	\$ 4,076	\$ -0-	\$ -0-	\$ -0-	\$ 4,076
Capital Project Fund	-0-	-0-	-0-	22,013	22,013
Employee Benefits.....	-0-	-0-	3,016	-0-	3,016
Total Cash Basis Fund Balances	<u>\$ 4,076</u>	<u>\$ -0-</u>	<u>\$ 3,016</u>	<u>\$ 22,013</u>	<u>\$ 29,015</u>

CITY OF ALBERT CITY
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED JUNE 30, 2004

OBLIGATION	DATE OF ISSUE	INTEREST RATES	AMOUNT ORIGINALLY ISSUED	BALANCE BEGINNING OF YEAR	ISSUED DURING YEAR	REDEEMED DURING YEAR	BALANCE END OF YEAR	INTEREST PAID	INTEREST DUE AND UNPAID
General Obligation Notes:									
Library	7/1/99	4.50-5.30%	\$ 350,000	\$ 260,000	\$ -0-	\$ 30,000	\$ 230,000	\$ 13,143	\$ -0-
Water Project	9/1/02	2.75-4.50%	<u>240,000</u>	<u>240,000</u>	<u>-0-</u>	<u>20,000</u>	<u>220,000</u>	<u>9,140</u>	<u>-0-</u>
TOTAL			<u>\$ 590,000</u>	<u>\$ 500,000</u>	<u>\$ -0-</u>	<u>\$ 50,000</u>	<u>\$ 450,000</u>	<u>\$ 22,283</u>	<u>\$ -0-</u>
Revenue Notes:									
Water	4/1/89	7.35-8.0%	<u>\$ 350,000</u>	<u>\$ 120,000</u>	<u>\$ -0-</u>	<u>\$ 25,000</u>	<u>\$ 95,000</u>	<u>\$ 9,518</u>	<u>\$ -0-</u>

See accompanying notes to financial statements.

CITY OF ALBERT CITY
NOTE MATURITIES
JUNE 30, 2004

GENERAL OBLIGATION CAPITAL NOTES

YEAR ENDING JUNE 30,	<u>LIBRARY</u> <u>ISSUED JULY 1, 1999</u>		<u>WATER PROJECT</u> <u>ISSUED SEPTEMBER 1, 2002</u>		TOTAL
	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT	
2005	4.90%	\$ 35,000	3.00%	\$ 20,000	\$ 55,000
2006	4.95%	35,000	3.25%	20,000	55,000
2007	5.00%	35,000	3.50%	20,000	55,000
2008	5.10%	40,000	3.70%	25,000	65,000
2009	5.20%	40,000	4.00%	25,000	65,000
2010	5.30%	45,000	4.10%	25,000	70,000
2011	--	-0-	4.20%	25,000	25,000
2012	--	-0-	4.30%	30,000	30,000
2013	--	-0-	4.40%	30,000	30,000
TOTAL		<u>\$ 230,000</u>		<u>\$ 220,000</u>	<u>\$ 450,000</u>

WATER REVENUE NOTES
ISSUED APRIL 1, 1989

YEAR ENDING JUNE 30,	INTEREST RATE	AMOUNT
2005	7.90%	\$ 30,000
2006	7.95%	30,000
2007	8.00%	<u>35,000</u>
TOTAL		<u>\$ 95,000</u>

CITY OF ALBERT CITY**COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GENERAL FUND**

YEAR ENDED JUNE 30, 2004

	<u>OPERATING</u>	<u>RECREATION BOARD</u>	<u>LIBRARY BOARD</u>	<u>TORT</u>	<u>TRUCK RESERVE</u>	<u>TOTAL</u>
RECEIPTS:						
Property Tax.....	\$ 126,670	\$ -0-	\$ -0-	\$ 25,733	\$ -0-	\$ 152,403
Licenses and Permits:						
Beer and Liquor.....	\$ 465	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 465
Cigarette	150	-0-	-0-	-0-	-0-	150
Building	450	-0-	-0-	-0-	-0-	450
Other.....	605	-0-	-0-	-0-	-0-	605
	<u>\$ 1,670</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,670</u>
Use of Money and Property:						
Interest on Investments.....	\$ 4,167	\$ -0-	\$ 58	\$ -0-	\$ -0-	\$ 4,225
Intergovernmental:						
Bank Franchise Tax	\$ 1,835	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 1,835
Iowa Library	1,418	-0-	143	-0-	-0-	1,561
County Library.....	5,375	-0-	-0-	-0-	-0-	5,375
	<u>\$ 8,628</u>	<u>\$ -0-</u>	<u>\$ 143</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 8,771</u>
Charges for Services:						
Garbage Fees	\$ 39,876	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 39,876
Miscellaneous:						
Donations.....	\$ 1,500	\$ -0-	\$ 6,941	\$ -0-	\$ -0-	\$ 8,441
Pool Revenue	9,391	-0-	-0-	-0-	-0-	9,391
Refunds & Reimbursements	1,165	-0-	-0-	-0-	-0-	1,165
Fairfield Township	2,520	-0-	-0-	-0-	-0-	2,520
Miscellaneous	8,042	7,912	1,189	-0-	-0-	17,143
	<u>\$ 22,618</u>	<u>\$ 7,912</u>	<u>\$ 8,130</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 38,660</u>
TOTAL RECEIPTS	<u>\$ 203,629</u>	<u>\$ 7,912</u>	<u>\$ 8,331</u>	<u>\$ 25,733</u>	<u>\$ -0-</u>	<u>\$ 245,605</u>

See accompanying independent auditor's report.

CITY OF ALBERT CITY**COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GENERAL FUND**

YEAR ENDED JUNE 30, 2004

	<u>OPERATING</u>	<u>RECREATION BOARD</u>	<u>LIBRARY BOARD</u>	<u>TORT</u>	<u>TRUCK RESERVE</u>	<u>TOTAL</u>
DISBURSEMENTS:						
Public Safety:						
Police:						
Contractual Services	\$ 31,807	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 31,807
Fire:						
Contractual Services	\$ 4,900	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 4,900
Animal Control	\$ 40	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 40
	\$ 36,747	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 36,747
Public Works:						
Roads, Bridges and Sidewalks						
Personal Services	\$ 13,819	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 13,819
Commodities	25,208	-0-	-0-	-0-	-0-	25,208
	\$ 39,027	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 39,027
Sanitary Sanitation:						
Contractual Services	\$ 53,039	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 53,039
Street Lighting	\$ 13,247	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 13,247
	\$ 105,313	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 105,313
Culture and Recreation:						
Library	\$ 27,735	\$ -0-	\$ 15,306	\$ -0-	\$ -0-	\$ 43,041
Swimming Pool	34,276	-0-	-0-	-0-	-0-	34,276
Parks	13,720	6,221	-0-	-0-	-0-	19,941
	\$ 75,731	\$ 6,221	\$ 15,306	\$ -0-	\$ -0-	\$ 97,258

See accompanying independent auditor's report.

CITY OF ALBERT CITY

COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GENERAL FUND

YEAR ENDED JUNE 30, 2004

	<u>OPERATING</u>	<u>RECREATION BOARD</u>	<u>LIBRARY BOARD</u>	<u>TORT</u>	<u>TRUCK RESERVE</u>	<u>TOTAL</u>
DISBURSEMENTS - CONTINUED:						
General Government:						
Mayor and Council Members:						
Personal Services	\$ 7,037	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 7,037
Commodities	480	-0-	-0-	-0-	-0-	480
	<u>\$ 7,517</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 7,517</u>
Clerk/Treasurer:						
Personal Services	\$ 15,772	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 15,772
Commodities	9,557	-0-	-0-	-0-	-0-	9,557
	<u>\$ 25,329</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 25,329</u>
City Hall:						
Personal Services	\$ 982	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 982
Commodities	3,674	-0-	-0-	-0-	-0-	3,674
	<u>\$ 4,656</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 4,656</u>
Legal & Professional:						
Contractual Services	\$ 3,178	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 3,178
Election Fees	<u>\$ 1,058</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,058</u>
Zoning	<u>\$ 2,000</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2,000</u>
General Administration:						
Insurance	\$ -0-	\$ -0-	\$ -0-	\$ 9,673	\$ -0-	\$ 9,673
	<u>\$ 43,738</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 9,673</u>	<u>\$ -0-</u>	<u>\$ 53,411</u>
TOTAL DISBURSEMENTS	<u>\$ 261,529</u>	<u>\$ 6,221</u>	<u>\$ 15,306</u>	<u>\$ 9,673</u>	<u>\$ -0-</u>	<u>\$ 292,729</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	\$ (57,900)	\$ 1,691	\$ (6,975)	\$ 16,060	\$ -0-	\$ (47,124)
OTHER FINANCING SOURCES (USES):						
Transfers In	\$ 52,220	\$ -0-	\$ 4,770	\$ -0-	\$ 8,670	\$ 65,660
Transfers (Out)	(4,795)	-0-	-0-	-0-	-0-	(4,795)
	<u>\$ 47,425</u>	<u>\$ -0-</u>	<u>\$ 4,770</u>	<u>\$ -0-</u>	<u>\$ 8,670</u>	<u>\$ 60,865</u>
NET	\$ (10,475)	\$ 1,691	\$ (2,205)	\$ 16,060	\$ 8,670	\$ 13,741
CASH BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>101,479</u>	<u>7,753</u>	<u>12,874</u>	<u>(1,884)</u>	<u>-0-</u>	<u>120,222</u>
BALANCE - END OF YEAR	<u>\$ 91,004</u>	<u>\$ 9,444</u>	<u>\$ 10,669</u>	<u>\$ 14,176</u>	<u>\$ 8,670</u>	<u>\$ 133,963</u>
CASH BASIS FUND BALANCES:						
Unreserved:						
General Fund	<u>\$ 91,004</u>	<u>\$ 9,444</u>	<u>\$ 10,669</u>	<u>\$ 14,176</u>	<u>\$ 8,670</u>	<u>\$ 133,963</u>

See accompanying independent auditor's report.

CITY OF ALBERT CITY
COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2004

	LIBRARY BUILDING PROJECT	CAPITAL IMPROVEMENTS	FAC CENTENNIAL	TOTAL
OPERATING RECEIPTS:				
Use of Money and Property:				
Interest	\$ 377	\$ 281	\$ 148	\$ 806
Miscellaneous:				
Donations	<u>-0-</u>	<u>-0-</u>	<u>618</u>	<u>618</u>
TOTAL OPERATING RECEIPTS	\$ 377	\$ 281	\$ 766	\$ 1,424
OPERATING DISBURSEMENTS:				
Capital Projects	<u>-0-</u>	<u>3,956</u>	<u>22</u>	<u>3,978</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	\$ 377	\$ (3,675)	\$ 744	\$ (2,554)
OTHER FINANCING SOURCES (USES):				
Transfers In (Out).....	<u>-0-</u>	<u>(496)</u>	<u>-0-</u>	<u>(496)</u>
NET	\$ 377	\$ (4,171)	\$ 744	\$ (3,050)
CASH BALANCE (DEFICIT) – BEGINNING OF YEAR	<u>(202)</u>	<u>24,205</u>	<u>1,060</u>	<u>25,063</u>
CASH BALANCE – END OF YEAR	<u>\$ 175</u>	<u>\$ 20,034</u>	<u>\$ 1,804</u>	<u>\$ 22,013</u>
CASH BASIS FUND BALANCES:				
Reserved:				
Capital Projects	<u>\$ 175</u>	<u>\$ 20,034</u>	<u>\$ 1,804</u>	<u>\$ 22,013</u>

See accompanying independent auditor's report

DAVID A. MASKE

Certified Public Accountant

110 West 4th Street, Suite # 205
P.O. Box 1297
Spencer, IA 51301

712/262-6087
(fax) 712/262-6089

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Honorable Mayor and
Members of the City Council
City of Albert City
Albert City, Iowa

I have audited the financial statements of the City of Albert City, Iowa, as of and for the year ended June 30, 2004, and have issued my report thereon dated November 11, 2004. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Albert City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Albert City's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the City of Albert City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe item 04-I-A is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Albert City and other parties whom the City of Albert City may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Albert City during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

DAVID A. MASKE
Certified Public Accountant

November 11, 2004

CITY OF ALBERT CITY

SCHEDULE OF FINDINGS FOR THE YEAR ENDED JUNE 30, 2004

PART I - FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- 04-I-A **Segregation of Duties** – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation – I realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response accepted.

PART II - OTHER FINDINGS RELATED TO STATUTORY REPORTING:

- 04-II-A **Official Depositories** – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

- 04-II-B **Certified Budget** – Disbursements during the year ended June 30, 2004 exceeded the amounts budgeted in the General Government and Capital Improvement functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We did amend the budget; however, our classification of some expenses in the amendment were not adequate.

Conclusion - Response accepted.

- 04-II-C **Questionable Disbursements** – I noted no disbursements that did not meet the requirements of public purpose as defined in the Attorney General's Opinion dated April 25, 1979.

- 04-II-D **Travel Expense** - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- 04-II-E **Business Transactions** – Business transactions between the City and City officials are detailed as follows:

Carl Erickson, Mayor Owner of Erickson Welding	Supplies & Repairs	\$	4,067
Douglas Anderson, Council Member Partner in Anderson Auto	Repairs	\$	909

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Mayor appears to represent a conflict of interest since total transactions exceeded \$1,500 during the fiscal year. The transactions with the Council Member were less than \$1,500 and do not appear to represent a conflict of interest.

Recommendation – The Council may wish to consult legal counsel concerning this matter.

Response – We will discuss with counsel.

Conclusion - Response accepted.

- 04-II-F **Bond Coverage** - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

- 04-II-G **Council Minutes** - No transactions were found that I believe should have been approved in the Council minutes but were not.

- 04-II-H **Revenue Notes** - The City was in compliance with the requirements of its revenue notes.

- 04-II-I **Deposits and Investments** - I noted no instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policies.